



## **PARTICIPATION LOAN PRODUCT**

**(SPECIAL PROGRAM FOR VETERAN, MINORITY, FEMALE, AND DISABLED-OWNED BUSINESSES)**

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### **Description**

IFA assists Illinois businesses that create or retain jobs by offering its Participation Loan Product ("PLP") in conjunction with Lenders. Through this program, the Authority will purchase participation directly from the borrower's lender of up to the lesser of a) 25% of a Total Project, b) 50% of a specific loan within the Total Project, c) or \$500,000.

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### **Benefits**

- Participation loans may be available to support the financing of business start-up costs, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.
  - It provides an essential source of risk mitigation for lenders, but charges no fees nor prepayment penalties.
  - The product provides a lower blended interest rate to the borrower as well as improved access to capital.
  - IFA will participate at a fixed rate of interest for up to five (5) years, with rate adjustment if the overall loan term exceeds five years. IFA will also participate in loans wherein the base rate is variable.
  - The amount of financial support may vary depending on loan terms, VMWD ownership, and other factors.
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**Standard Participation Loan Program (PLP)** – Designed to enable small businesses to obtain medium to long-term financing in the form of term loans to help grow and expand their operations. Under the Standard PLP Program, IFA is willing to consider participating up to the lesser of a) 25% of a project's total cost, b) 50% of a loan facility within a larger overall project, or c) \$500,000 for up to 10 years. Authority participation is subordinated to the lender and incorporates a "below market" blended/weighted interest rate. The interest rate applicable to IFA's Standard PLP is a result of the lending bank's interest rate less 100 basis points, set concurrently with the bank's rate-setting.

**Veteran/Minority/Women/Disabled-Owned Business Participation Loan Program (VMWD PLP)** – Similar to above Standard PLP; however, under its Veteran, Minority, Women and Disabled PLP, IFA is willing to consider participating up to the lesser of a) 40% of a project's total cost, b) 50% of a loan facility within a larger overall project or c) \$300,000 for up to 7 years. Authority participation is subordinated to the lender and incorporates a "below market" blended/weighted interest rate. The interest rate applicable to IFA's Veteran, Minority, Women, and Disabled PLP is a result of the lending bank's interest rate less 200 basis points, set concurrently with the bank's rate-setting.

**Loan Credit Approval and Servicing Requirements:** Participating banks will originate, underwrite, and service all loans. IFA staff will review the bank's analysis to ensure that it meets IFA credit standards and industry "best practices as well as other IFA requirements. If the maturity of the proposed loan exceeds ten years, IFA requires a balloon payment at the end of Year 10.

Participating lenders accept business applications on a rolling basis, and use their underwriting standards and loan processes. These lending institutions are welcome partners in the IFA Participation Loan Program. Check back regularly, as we continually add new institutions to the list.